

## Message Text

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ACTION DOTE-00

INFO OCT-01 EUR-12 ISO-00 CG-00 TRSE-00 EB-07 COME-00 PA-01

PRS-01 USIA-06 PM-03 RSC-01 /032 W

----- 039635

R 242251Z JAN 75

FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC 5493

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E.O. 11652: N/A

TAGS: EWWT, CA

SUBJECT: ST. LAWRENCE SEAWAY TOLLS

DOT PASS SLSDC, MASSENA, FOR BUSH

REF: A-596, NOVEMBER 19, 1974

1. SUMMARY: TORONTO GLOBE AND MAIL HAS PUBLISHED SIGNIFICANT ARTICLE ON PROPOSED SEAWAY FINANCIAL REORGANIZATION AND POSSIBILITY NEGOTIATIONS WITH USG ON TOLL INCREASES. HEAD OF CANADIAN SEAWAY AUTHORITY HAS CONFIRMED TO EMBASSY GENERAL ACCURACY OF ARTICLE AND PROVIDED FURTHER INFORMATION ON PRESENT MINISTRY OF TRANSPORT THINKING. WASHINGTON AGENCIES SHOULD BE PREPARED FOR POSSIBLE NEGOTIATIONS ON THIS ISSUE DURING 1975. END SUMMARY

2. BEGIN UNCLASSIFIED; FOLLOWING IS TEXT OF ARTICLE ENTITLED "PROPOSALS GO TO OTTAWA FOR REFINANCING SEAWAY" PUBLISHED JANUARY 23 TORONTO GLOBE AND MAIL BASED INTERVIEW WITH PAUL NORMANDEAU. BEGIN VERBATIM TEXT: PAUL NORMANDEAU, PRESIDENT OF THE ST. LAWRENCE SEAWAY AUTHORITY, HAS SUBMITTED PROPOSALS TO THE FEDERAL GOVERNMENT FOR REFINANCING THE SEAWAY, AND THEY PROBABLY WILL COME BEFORE TRANSPORT MINISTER JEAN MARCHAND THIS WEEK.

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MR. NORMANDEAU SAID THE BRIEF CONTAINS SUGGESTED

MEASURES UNDER THE GENERAL HEADINGS OF WRITING OFF  
THE SEAWAY'S DEBT OF \$800 MILLION IN GOVERNMENT  
LOAN AND INTEREST CHARGES, AND OBTAINING ENOUGH  
TOLL REVENUE TO COVER OPERATING COSTS.  
IS THE SEAWAY IS EXPECTED TO PAY BACK ALL ITS DEBT,  
IT WILL HAVE TO CHARGE TOLLS FIVE TIMES HIGHER THAN  
IT DOES NOW, HE SAID.  
CURRENT TOLLS ARE 45 CENTS A TON FOR BULK COMMODITIES  
THROUGH THE MONTREAL-LAKE ONTARIO SECTION, 90 CENTS A  
TON ON GENERAL CARGO, AND \$100 FOR EACH OF THE EIGHT  
LOCKS OF THE WELLAND CANAL.  
MR. NORMANDEAU SAID HE WAS FORCED TO RECOMMEND TOLL  
INCREASES BECAUSE OF RAPIDLY RISING COSTS, SO THAT  
THE SEAWAY, IF ITS LOANS AND INTEREST ARE FORGIVEN  
WOULD NOT FALL BACK INTO DEBT.  
IT IS RATHER LIKE SAYING, " IF YOU WIPE OUT MY DEBT,  
I PROMISE IN FUTURE TO DO BETTER."  
HE SAID ANY CHANGE IN TOLLS WOULD HAVE TO BE DISCUSSED  
WITH AND ACCEPTED BY U.S. OFFICIALS. THE U.S. ST.  
LAWRENCE SEAWAY DEVELOPMENT CORP., WHICH OPERATES ONE  
OF THE SEVEN LOCKS IN THE ST. LAWRENCE SECTION, HAD  
ITS DEBT FORGIVEN BY THE U.S. GOVERNMENT AND HAS BEEN  
OPERATING AT A PROFIT.  
MR. NORMANDEAU BELIEVES HE DETECTS A GREATER WILLINGNESS  
RECENTLY AMONG U.S. OFFICIALS TO CONSIDER INCREASING  
TOLLS, PERHAPS TO SOME DEGREE BECAUSE THE 1974  
NAVIGATION SEASON WAS A POOR ONE. U.S. POLICY IS  
NOT TO CHARGE FOR COMMERCE ON INLAND  
WATERWAYS.  
HE SAID THE TOLL INCREASES HE RECOMMENDS ARE  
REASONABLE - LESS THAN 10 PERCENT A YEAR- AND  
ARE "IN NO WAY COMPARABLE TO INFLATION OR  
TO INCREASES IN EXPENSES OR IN THE COST OF MERCHANDISE  
THAT COMES TO THE SEAWAY."  
BECAUSE WAGE COSTS FOR THE 1,450 SEAWAY EMPLOYEES,  
RISING AT ABOUT THE SAME RATE AS INFLATION, TAKE 72  
PERCENT OF REVENUE, THE SEAWAY IS COUNTING ON A  
SLIGHT INCREASE IN TRAFFIC TO HELP KEEP IT IN THE  
BLACK.  
BECAUSE OF THE SUCCESS OF THE LONGEST OPERATING  
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SEASON YET FOR THE WELLAND CANAL, WHICH CONCLUDED  
LAST SATURDAY, MR. NORMANDEAU CAN FORESEE A DAY WHEN  
THE CANAL WILL HAVE TO STAY OPEN UNTIL LAKE ERIE  
FREEZES. THIS SELDOM HAPPENS BEFORE THE SECOND HALF  
OF JANUARY, ALTHOUGH THE CANAL HAS IN THE RECENT  
PAST BEEN CLOSING IN THE SECOND HALF OF  
DECEMBER.  
HE SAID THAT IF A LONGER SEASON FOR THE WELLAND

HAS ECONOMIC JUSTIFICATION FOR MAJOR USERS, SUCH AS THE HAMILTON STEEL COMPANIES, THE SEAWAY CANNOT DRAG ITS FEET.

"WE WILL HAVE TO REALIGN OUR THINKING MAINTENANCEWISE."

ALMOST ALL MAINTENANCE HAS BEEN DONE IN WINTER, AFTER THE CANAL HAS BEEN EMPTIED, AND A LONGER SEASON WOULD LEAVE LESS TIME.

ALSO UP FOR RECONSIDERATION WOULD BE CREW LEAVES.

"MORE WILL HAVE TO TAKE SOME LEAVE DURING THE NAVIGATION SEASON, " HE SAID. END VERBATIM TEXT. END UNCLASSIFIED.

3. BEGIN LIMITED OFFICIAL USE; COMMENT; NORMANDEAU HAS CONFIRMED TO TCO THE GENERAL ACCURACY THIS ARTICLE EXCEPT FOR STATEMENT ATTRIBUTED TO HIM REGARDING A POSSIBLE TOLL INCREASE OF LESS THAN 10 PERCENT ANNUALLY WHICH APPEARS TO APPLY TO THE TOTAL SYSTEM FOR WHICH HE IS RESPONSIBLE (THAT IS, THE WELLAND CANAL AND THE UPPER ST. LAWRENCE SECTORS.) HIS RECOMMENDATIONS (WHICH ARE NOW THOSE OF MOT) TO MINISTER OF TRANSPORT MARCHAND DO NOT INVOLVE FIXED FIGURES FOR TOLL CHANGES ON THE RIVER PORTION OF THE SEAWAY. HE AND OTHER MOT ELEMENTS ARE STILL THINKING PRIMARILY OF THE TEMPORARY SURCHARGE DEVICE WHICH HE MENTIONED TO US LAST NOVEMBER (SEE REFAIR).

4. NORMANDEAU DESCRIBED THE PAPER NOW FORWARDED TO THE MINISTER AS BEING PRIMARILY CONCERNED WITH THE REORGANIZATION OF THE FINANCIAL STRUCTURE OF THE CANADIAN SEAWAY SYSTEM. THE PROPOSALS ARE SIMILAR TO THE USG RESTRUCTURING A FEW YEARS AGO WHEN THE REQUIREMENT TO PAY INTEREST ON DEBT WAS WIPED OUT. IF THESE ARE ACCEPTED THE PAPER RECOMMENDS THAT THE LIMITED OFFICIAL USE

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GOC'S TOLL POLICY BE TO AVOID ANY FURTHER ACCUMULATION OF INDEBTEDNESS. USER CHARGES SHOULD BE DESIGNED TO COVER ONLY OPERATIONS AND MAINTENANCE COSTS PLUS PROVIDE A SMALL SURPLUS. ORIGINAL INVESTMENT COULD BE RETIRED AS APPROPRIATE, BUT IT WOULD BE REGARDED AS A LEGITIMATE PUBLIC CHARGE AND NOT ONE ON WHICH INTEREST SHOULD BE PAID BY USERS.

5. WITHIN THIS FRAMEWORK NORMANDEAU HAS RECOMMENDED REINSTATEMENT OF TOLLS ON THE WELLAND CANAL AT THE LEVEL IN EFFECT WHEN THEY WERE SUSPENDED IN 1962 BY THE GOC, BUT WITH A PROVISION FOR ANNUAL RISES OF PERHAPS TEN PERCENT TO REFLECT OPERATIONAL COST INCREASES. WITH RESPECT TO THE RIVER PORTION OF THE SYSTEM NORMANDEAU IS RECOMMENDING ONLY THE INITIATION

OF DISCUSSIONS WITH THE USG TO SECURE AN INCREASE.  
THE AMOUNT SOUGHT WOULD BE BASED ON USG VIEWS AS TO  
WHAT IS POLITICALLY FEASIBLE.

6. NORMANDEAU ALSO TOLD THE TCO THAT HIS PRELIMINARY  
ESTIMATE OF THE 1974 DEFICIT OF THE ST. LAWRENCE  
SEAWAY AUTHORITY IS \$55.8 MILLION (OF WHICH \$21.8  
MILLION IS ATTRIBUTED TO THE UPPER ST. LAWRENCE  
SECTION.) IN 1973 THE DEFICIT WAS \$44.4 MILLION  
(13.3 MILLION) AND HIS PROJECTION FOR 1975 IS  
\$56.2 MILLION (21.1 MILLION). THE 1975 PROJECTION  
ASSUMES THAT REVENUES WILL REGAIN NORMAL LEVELS  
AND WILL NOT BE REDUCED BY DISRUPTIONS OF NAVIGATION  
(CAUSED BY STRIKES, MISHAPS, ETC.) AS WAS THE SITUATION  
IN 1974. THESE FIGURES, NORMANDEAU INDICATED, ARE  
CAUSING INCREASING CONCERN IN GOC FINANCIAL AGENCIES  
WHICH WANT SOME ACTION TAKEN TO REDUCE THEM. HOWEVER,  
WHETHER THESE AGENCIES (NOTABLE DEPARTMENT OF FINANCE  
AND THE TREASURY BOARD) WILL APPROVE THE FINANCIAL  
RESTRUCTURING OF THE SYSTEM REMAINS TO BE SEEN.  
FORMAL DISCUSSIONS WITH THEM HAVE NOT YET TAKEN PLACE  
AND ALL BUREAUCRATIC EFFORT TO DATE HAS BEEN TO GET  
AN AGREED MINISTRY OF TRANSPORT POSITION FOR PRESENTATION  
TO THE OTHER AGENCIES.  
PORTER

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** PRESS COMMENTS, FINANCIAL STABILITY, TOLLS, ST LAWRENCE SEAWAY  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 24 JAN 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** MorefiRH  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1975OTTAWA00297  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D750029-0038  
**From:** OTTAWA  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1975/newtext/t19750123/aaaaatvn.tel  
**Line Count:** 193  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION DOTE  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 4  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** 75 A-596, 75 NOVEMBER 19, 75 1974  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** MorefiRH  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 05 MAY 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <05 MAY 2003 by SmithRJ>; APPROVED <16 MAY 2003 by MorefiRH>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
05 JUL 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** ST. LAWRENCE SEAWAY TOLLS DOT PASS SLSDC, MASSENA, FOR BUSH  
**TAGS:** EWWT, CA  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006